Cedar Landing — Refinance Financing Memorandum

Internal analyst review · As-of 2026-08-31 · Fictional evaluation packet · Not a credit commitment or legal opinion

Financing recommendation	Proceed to term-sheet discussion on the sized cash-out refinance below. Binding constraint is **DSCR**; the loan does not clear the 60% LTV or 9.00% debt-yield ceilings. Cash-out proceeds are positive but consume the entire NCF cushion at the required 1.30x DSCR.
Sized maximum loan	**$6,407,490** · binding: **DSCR**
Cash to borrower	**$1,778,415** (after $4,500,000 payoff, $64,075 1.00% origination fee, $65,000 fixed closing costs)
First-year debt service	**$400,468** (IO at 6.25% contractual rate for 36 months)
Structure	First-mortgage refinance · 5-year term · 30-yr amort with 36-mo IO · 6.25% fixed · 1.00% origination · 1% prepay penalty in years 1–2, then open · no swap · no earn-out / reserve / holdback assumed.

1. Executive summary

Cedar Landing Owner LLC (fictional single-property sponsor) requests a first-mortgage refinance of a 48-unit multifamily property at 4800 Cedar Bench Drive, San Antonio, TX. Rent roll dated 2026-08-31 shows 33 of 48 units occupied (68.75% by count / 61.81% by area). Historical performance covers Sep-2025 through Aug-2026. Underwriting reflects the sponsor-supplied scenario applied on top of the T12 cost base, with the lender's normalizations: 7.00% revenue loss on scenario GPR, insurance at the fictional Aug-25-2026 renewal quote ($45,600), R&M; with $12,000 one-time casualty removed, and management at the greater of T12 actual or 3.50% of underwritten EGI.

On those terms, underwritten NOI (before reserves) is **$647,395**, NCF (after $325/unit reserves) is **$631,795**, and capitalized value at the 5.75% valuation cap is **$11,259,047**. Sizing produces a **$6,407,490** loan, binding on **DSCR** (1.30x on amortizing debt service at the 6.50% sizing floor). Sized DSCR is exactly 1.30x; sized debt yield is 9.86%; actual LTV is 56.91%. Under the combined downside (EGI –5%, sizing rate +100 bps, cap rate unchanged), the sized loan falls to **$5,338,641**, still binding on DSCR — a 16.68% reduction. Under a standalone cap-rate +50 bps shock, the loan falls to **$6,214,994**, with the binding constraint flipping to LTV.

2. Key figures

Metric	Historical T12 (Sep-25 → Aug-26)	Underwritten scenario (Sep-26 forward
Gross potential base rent	$1,036,800	$1,056,000
Revenue loss (vacancy / concessions / bad debt)	$-375,600	$-73,920 (7.00% of UW GPR)
Other income / recoveries	$30,000	$43,200
Effective gross income (EGI)	$691,200	$1,025,280
Total operating expenses (ex-reserves)	$371,200	$377,885
of which management fee	$28,000	$35,885 (= 3.50% × UW EGI)
NOI before reserves	$320,000	$647,395
Replacement reserves	$14,400	$15,600 ($325 × 48 units)
Net cash flow (NCF)	$305,600	$631,795

Capitalized value (UW NOI ÷ 5.75%)	—	$11,259,047

Historical column is a distinct actual series; underwritten column reflects the scenario. The annualized in-place contractual base rent from the rent roll is $672,300 (24 units × $1,575 + 9 units × $2,025, × 12), a separate figure from either T12 GPR or scenario GPR.

3. Loan sizing

Sizing follows the lender term sheet exactly. Sizing rate is the greater of the 6.25% contractual rate and the 6.50% underwriting floor → **6.500%**. Annual debt constant on a 30-year monthly amortization schedule at 6.500% is **0.0758482**.

Constraint	Convention	Result	Max loan
LTV	60% × capitalization value	60% × $11,259,047	$6,755,428
DSCR	UW NCF ÷ (1.30 × ADC)	$631,795 ÷ (1.30 × 0.07585)	$6,407,490
Debt yield	UW NCF ÷ 9.00%	$631,795 ÷ 9.00%	$7,019,947
Binding minimum	**MIN of the three**		→ **$6,407,490**

3.1 Sizing metrics at the maximum loan

Metric	Value	Note
Sized loan amount	$6,407,490	Binding: DSCR
Annual amortizing DS at sizing rate	$485,996	Sizing loan × ADC
Sizing DSCR	1.300x	= UW NCF ÷ sizing DS (binding by construction)
Sizing debt yield	9.86%	= UW NCF ÷ sized loan
Actual LTV	56.91%	= sized loan ÷ capitalized value
First-year debt service (actual)	$400,468	IO for 36 months at 6.25% contract rate
First-year DSCR (UW NCF over actual DS)	1.58x	Wider than sizing DSCR due to IO

3.2 Sources & uses

Sources		Uses	
New first mortgage	$6,407,490	Existing debt payoff	$4,500,000
		Origination fee (1.00% × loan)	$64,075
		Fixed closing costs	$65,000
		Cash to borrower (out)	$1,778,415
Total sources	**$6,407,490**	**Total uses**	**$6,407,490**

Cash to borrower is positive — this is a genuine cash-out refinance under the sized loan. A cash-in outcome only appears under the combined downside (see §5).

4. Tenant and lease profile

The property is a 48-unit multifamily building comprising 24 one-bedroom units at 700 SF ($1,575/mo in-place; $1,575 market) and 24 two-bedroom units at 1,100 SF ($2,025 in-place / market). Nine of the 24 two-bedroom units are occupied; 15 are vacant, contributing to the 61.81% area occupancy. In-place monthly base rent from occupied units totals $56,025 ($672,300 annualized).

4.1 Subject lease (Unit 101 — reviewed executed lease)

Field	Value	Source
Premises	Unit 101 — 700 rentable SF	Lease-File.pdf §1
Tenant	Household 101 (fictional)	Lease-File.pdf §1
Commencement	2025-09-01	Lease-File.pdf §2
Current expiry	2027-06-30	Lease-File.pdf §2 (initial term)
Base rent (monthly)	$1,575	Lease-File.pdf §3
Security deposit	$1,200 (not prepaid rent)	Lease-File.pdf §4
Renewal option	One conditional option; requires ≥180-day written exercise notice. No exercise notice included in packet.	Lease-File.pdf §5
Rent step	None before 2027-09-01	Lease-File.pdf §3

The lease file reconciles cleanly to the rent-roll entry for Unit 101 (rent and expiry match). No authoritative lease amendment extends the current expiry — the renewal option remains contingent and unexercised in the delivered materials.

5. Sensitivity

Scenario	EGI	NOI (pre-res)	NCF	Cap value	Sizing rate	Max loan	Binding	∆ vs base
Base case	$1,025,280	$647,395	$631,795	$11,259,047	6.500%	$6,407,490	DSCR	
Combined downside (EGI –5%, rate +100 bps, cap same)	$974,016	$597,925	$582,325	$10,398,703	7.500%	$5,338,641	DSCR	$-1,068,848
Cap rate +50 bps (standalone)	$1,025,280	$647,395	$631,795	$10,358,323	6.500%	$6,214,994	LTV	$-192,496

Under the combined downside, cash to borrower would flip to a small cash-in outcome (sized loan of ~$5,338,641 is less than the $4,500,000 payoff plus fees, so the sponsor would need to contribute equity to close). Under the cap-rate shock alone, the debt-service coverage still holds at the base-case DSCR loan, but the LTV ceiling steps in.

6. Underwriting assumptions applied

Item	Assumption applied	Source
Underwritten GPR	$1,056,000 annual (sponsor scenario; not the T12)	Property-and-Plan p.2
Revenue loss	7.00% of underwritten GPR (vacancy + concessions + bad debt combined)	Property-and-Plan p.2
Other income	$43,200 annual, added AFTER revenue loss	Property-and-Plan p.2
RE taxes	$138,000 (per plan) vs $132,000 T12	Property-and-Plan p.2 / T12 p.2
Insurance	$45,600 = fictional Aug-25-2026 renewal quote	Property-and-Plan p.2
Utilities	$33,600 T12 held	T12 p.2
R&M	$42,000 = T12 $54,000 less $12,000 one-time casualty cleanup	Property-and-Plan p.2 / T12 p.2
Payroll / Admin-legal	T12 held ($55,200 / $27,600)	T12 p.2
Management fee	MAX(T12 $28,000, 3.50% × UW EGI) → $35,884.80	Property-and-Plan p.2
Replacement reserves	$325 × 48 units = $15,600 (below-NOI line)	Property-and-Plan p.2
Cap rate	5.75% on UW NOI BEFORE reserves	Lender-Terms
Contract rate	6.25% fixed	Lender-Terms
Sizing rate	MAX(6.25% contract, 6.50% floor) = 6.500%	Lender-Terms
Amortization / IO / Term	30-yr amort / 36-mo IO / 60-mo maturity	Lender-Terms
Origination fee	1.00% of actual initial principal	Lender-Terms
Prepay	1% of outstanding balance in years 1–2; open thereafter. No swap.	Lender-Terms

7. Limitations and open items

- No appraisal, environmental report, sponsor track record, third-party market study, or comparable sales/rent set was provided. Capitalized value is a sizing convention, not an appraisal.
- Unit 134–148 vacancies are underwritten via the 7.00% revenue-loss overlay; no lease-up timing or concession schedule was supplied for those units.
- Renewal option on Unit 101 is unexercised in the packet — treated as expiring 2027-06-30. Do not extend on the strength of the option alone.
- Insurance renewal quote is supplied inside the plan; no third-party binder or insurer confirmation was verified.
- No third-party property-management contract was reviewed; the 3.50% management fee is a lender-normalized minimum, not a contractual rate.
- Prepayment friction is stated as 1% of outstanding balance in years 1–2 only. No swap termination cost applies because no swap is assumed.

- No fee capitalization, interest reserve, cash sweep, earn-out, or additional holdback is assumed in the sized loan.
- The T12 packet describes its bottom line as 'property NOI' after reserves; this memo preserves that distinction by reporting NOI before reserves and NCF after reserves separately.

8. Key risks

- **DSCR-binding structure.** At the sized loan, coverage is exactly 1.30x on the amortizing test. Any adverse move in EGI, insurance, taxes, or the sizing rate will compress the sized loan on a 1-for-1 basis.
- **Concentrated near-term rollover.** 33 of 33 occupied units have leases expiring within 12 months of the as-of date (Sep-2026 through Aug-2027). Renewal execution risk is elevated.
- **Physical occupancy at 68.75%.** 15 vacant two-bedroom units represent 31.25% of unit count and 34.72% of area. Underwriting relies on a 7.00% revenue-loss assumption; any material lease-up shortfall would breach the DSCR test.
- **Cash-in exposure under stress.** The combined downside sizes the loan below the $4,500,000 existing payoff, producing a cash-in requirement rather than a cash-out result.
- **Refinance risk at maturity.** 60-month term with 36-mo IO leaves 24 months of amortization before refinance; sponsor takeout depends on future rate and cap-rate environment.
- **Insurance premium volatility.** The 12% year-over-year increase already reflected ($40,800 → $45,600) may not be the last; further hardening would flow directly to NOI.
- **Single-property, fictional sponsor.** No sponsor financials, guaranty package, or credit history was supplied — recourse structure is not evaluable from the packet.

9. Sources

- **Property-and-Plan.pdf** — p.1 transaction context, payoff, closing costs, as-of. p.2 underwriting scenario line-item overrides, reserves per unit, sensitivity instructions.
- **Rent-Roll.xlsx** — 'Rent Roll' worksheet, rows 7–54, unit-level rents, area, status and expiries as of 2026-08-31.
- **Lender-Terms.pdf** — p.1 sizing conventions (LTV/DSCR/DY), rate, amort, IO, term, origination and prepay.
- **T12-Statement.pdf** — p.1–p.2 monthly and annual T12 by line item, Sep-2025 to Aug-2026.
- **Lease-File.pdf** — p.1 executed Unit 101 lease sections 1–6.